

CITY OF MITCHELLVILLE, IOWA

Independent Auditors' Report  
Basic Financial Statements and  
Supplemental Information and Findings

June 30, 2007

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City of Mitchellville, Iowa  
Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Wieslander	Mayor	December, 2007
Jon Woods	Mayor Pro Tem	December, 2007
Peggy Olson	Council Member	December, 2007
James Scott	Council Member	December, 2007
Sara Roland	Council Member	December, 2009
Dean McGhee	Council Member	December, 2009
Jeffrey Horne	City Administrator	Indefinite
Mildred Cunningham	City Clerk	Indefinite
Amy Beattie	City Attorney	Indefinite
Timothy Brandt	Director Public Works	Indefinite

# POLLARD AND COMPANY P.C.

## CERTIFIED PUBLIC ACCOUNTANTS

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IOWA SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

### INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council  
City of Mitchellville

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Mitchellville, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Mitchellville's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Mitchellville as of June 30, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our reports as dated below on our consideration of the City of Mitchellville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison information are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mitchellville's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the years ended June 30, 2006, 2005 and 2004 (none of which is presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

June 24, 2008

*Pollard and Company P.C.*

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Mitchellville provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### FY 2007 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased by \$1,291,149 from FY 2006 to FY 2007.
- The general government disbursements increased \$1,120,778 from FY 2006 to FY 2007.
- The City's total cash basis net assets for FY 2007 were \$1,782,375. Of this amount, the assets of the governmental activities were \$916,252 and the assets of the business type activities were \$866,123.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the non-major governmental funds. In addition, the schedule of expenditures of federal awards provides details of various federal programs benefiting the City.

## Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## REPORTING THE CITY'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government and debt service. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The major governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Employee Benefits 3) the Debt Service Fund, and 4) the Capital Project Funds for the Urban Service Area and Library Renovations. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer, and water capital project funds, considered to be major funds.

3) The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash balances for governmental activities.

### Changes in Cash Basis Net Assets of Governmental Activities

	June 30, 2007	June 30, 2006
<b>Program receipts:</b>		
Charges for service	\$158,777	\$128,658
Operating grants, contributions and restricted interest	\$286,458	\$214,151
Capital grants, contributions and restricted interest	\$639,168	\$0
<b>General receipts:</b>		
Property tax		
for general purpose	\$450,843	\$428,096
for debt service	\$33,955	\$71,733
Unrestricted investment earnings	\$32,263	\$16,155
Bond Proceeds	\$521,808	\$0
Miscellaneous	\$39,501	\$62,199
Transfers - net	\$57,891	\$8,523
<b>Total receipts and transfers</b>	<b>\$2,220,664</b>	<b>\$929,515</b>
<b>Disbursements:</b>		
Public safety	\$413,684	\$304,815
Public works	\$513,887	\$274,089
Culture and recreation	\$110,388	\$119,843
Community and economic development	\$16,638	\$5,863
General government	\$78,507	\$92,408
Debt service	\$154,754	\$71,208
Capital Project	\$745,256	\$44,110
Transfers	\$0	\$0
<b>Total disbursements</b>	<b>\$2,033,114</b>	<b>\$912,336</b>
 Increase in cash basis net assets	 \$187,550	 \$17,179
Cash basis net assets beginning of year	\$728,702	\$711,523
Cash basis net assets end of year	\$916,252	\$728,702

The City's total receipts for governmental activities were \$2,220,664 and the total disbursements of all programs and services were \$2,033,114. The cash-basis net assets end of year 2007 was \$916,251, which was an increase of \$187,550 from the previous year.



## Changes in Cash Basis Net Assets of Business Type Activities

	June 30, 2007	June 30, 2006
<b>Receipts:</b>		
<b>Program receipts:</b>		
Charges for service:		
Water	\$349,454	\$316,805
Sewer	\$302,821	\$272,772
Capital grants, contributions and restricted interest	\$40,968	\$31,989
<b>General receipts:</b>		
Unrestricted interest on investments	\$0	\$0
Bond proceeds	\$506,941	\$2,800,895
Miscellaneous	\$5,600	\$5,948
Transfers -net	-\$53,579	-\$8,523
Total receipts	\$1,152,205	\$3,419,886
<b>Disbursements and transfers:</b>		
Water	\$815,006	\$2,757,790
Sewer	\$256,447	\$426,618
Total disbursements and transfers	\$1,071,453	\$3,184,408
Increase (decrease) in cash balance	\$80,752	\$235,478
Cash basis net assets beginning of year	\$785,371	\$549,893
Cash basis net assets end of year	\$866,123	\$785,371

### INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As The City of Mitchellville completed the year, its governmental funds reported a combined fund balance of \$916,252, an increase of \$187,550 from last year's total of \$728,702.

- The General Fund cash balance had an increase in revenues, but it also had an increase in spending.
- The Road Use Tax Fund cash balance had an decrease of \$28,802 from \$296,124 to \$267,322 during the fiscal year. The City intends to use this money to maintain or upgrade the condition of all City roads.
- In the Urban Service Area Fund there is a deficit of \$153. The deficit will be eliminated when the City receives funding from Polk County.
- In the Library Renovations Fund the cash balance increased by \$107,391.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decrease by \$1,231 due primarily to extra expenses in the fund.
- The Sewer Fund cash balance increased by \$71,609 due primarily to controlled spending.
- At the end of FY 2007, there was a deficit balance of \$152,610 in the capital project fund for water. The reason for this is that some extra expenses involved in the water treatment project. The deficit will be eliminated by a transfer from the water fund.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget. The amendment was approved on May 21, 2007. The budget was increased \$471,743 to provide for additional disbursements in certain city departments. The City had sufficient cash balance to absorb these additional costs.

## DEBT ADMINISTRATION

At June 30, 2007, the City had approximately \$4,751,023 in bonds and other long-term debt. The reason for the increase is for the water improvement project, library renovation project, and the Joint Service Agreement between Polk County and the city.

### Outstanding Debt at Year-End

	June 30, 2006	June 30, 2007
General obligation capital loan notes	\$572,227	\$1,483,614
Lease purchase agreement	\$22,177	\$11,409
Revenue Loan Notes	\$3,385,000	\$3,256,000
Total	\$3,979,404	\$4,751,023

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,483,614 is significantly below its constitutional debt limit of \$3,223,307.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Mitchellville has elected and appointed officials, and department heads who have considered many factors when setting the fiscal year 2008 budget, tax rates, and fees that will be charged for various City activities.

In the budget year of 2006/2007 was the completion of the water treatment plant. The water treatment plant is located at 203 Jasper Avenue NE.

In August 2006, the City of Mitchellville passed a resolution authorizing \$255,000 General Obligation Bond for the renovation of the Mitchellville Public Library. The new location of the library is at 205 Center Avenue N. The funds for repayment of this bond will come from the Debt Service Fund. The GO Bond is for ten years and shall be paid in full by the year 2016.

There was an agreement signed between the City of Mitchellville and Polk County for an Urban Service Area. This agreement is for a sewer line that was installed for Seventh Street. Seventh Street will be installed sometime in the future. Polk County has paid for installing the sewer line and other fees. The City of Mitchellville will reimburse Polk County from connection fees and a portion of the sewer bills that are collected in this area. The Seventh Street Sanitary Sewer Extension was completed in December 2006. This extension will serve the Deer Run Development located near Sixth Street NE.

In 2006, the city council entered into a Joint Service Agreement between Polk County and City of Mitchellville and Jasper County. The city entered into this agreement so the city's roads could be improved within the city and adjoining Jasper County. The cost of the project was \$266,805. The City will repay Polk County \$53,361 a year for the next five years. The funds for repayment will come from the Road Use Fund. This 28E agreement shall be paid in full by the year 2011.

In April 2007, the City of Mitchellville and Polk County entered into a Joint Public Service Agreement. This agreement was for double seal coat construction of NE 62 Avenue from NE 62 Drive to NE 112<sup>th</sup> Street. In the Fiscal Year 2007/2008, the city's share will be \$20,790 and the county's share will be \$204,820. In the Fiscal Year 2008/2009, the city's share will be \$3,240 and the county's share will be \$31,920. The funds for repayment will come from the Road Use Fund.

The Mitchellville Fire Department received a FEMA Grant. With the money received from the grant, the department purchased air packs and compressor.

The city is planning to renovate the old library located at 204 Center Avenue N. This will be City Hall. In addition, the council has been discussing having street work done from Third Street to Sixth Street on Center Avenue N.

#### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mildred Cunningham, City Clerk, 110 2<sup>nd</sup> Street NE, Mitchellville, Iowa.

City of Mitchellville, Iowa  
Statement of Activities and Net Assets – Cash Basis  
As of and for the year ended June 30, 2007

Functions/Programs	Program Receipts			
	Disbursements	Charges for Services	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities				
Public safety	\$ 413,684	\$ 65,829	\$ 81,924	\$ -
Public works	513,887	73,715	191,860	-
Culture and recreation	110,388	4,105	12,674	-
Community and economic development	16,638	300	-	-
General government	78,507	14,828	-	-
Debt service	154,754	-	-	-
Capital Projects	745,256	-	-	639,168
Total governmental activities	2,033,114	158,777	286,458	639,168
Business type activities				
Water	815,006	370,787	-	-
Sewer	256,447	328,056	-	-
Total business type activities	1,071,453	698,843	-	-
Total	\$ 3,104,567	\$ 857,620	\$ 286,458	\$ 639,168

General Receipts

Property tax levied for

    General purposes

    Debt service

Unrestricted interest on investments

Bond proceeds

Miscellaneous

Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash basis net assets

Restricted (deficit)

    Streets

    Capital project

    Debt service

    Employee benefits

    Other purposes

Unrestricted

    Total cash basis net assets

*There were no reconciling items between the Governmental and Proprietary Fund Statements of Cash Receipts, Disbursements and Changes in Cash Balances and the above Statement. See notes to financial statements.*

	Governmental Activities	Business Type Activities	Total
\$	(265,931)	\$ -	\$ (265,931)
	(248,312)	-	(248,312)
	(93,609)	-	(93,609)
	(16,338)	-	(16,338)
	(63,679)	-	(63,679)
	(154,754)	-	(154,754)
	(106,088)		(106,088)
	(948,711)	-	(948,711)
	-	(444,219)	(444,219)
	-	71,609	71,609
	-	(372,610)	(372,610)
\$	(948,711)	\$ (372,610)	\$ (1,321,321)

450,843	-	450,843
33,955	-	33,955
32,263	-	32,263
521,808	506,941	1,028,749
39,501	-	39,501
57,891	(53,579)	4,312
1,136,261	453,362	1,589,623

187,550	80,752	268,302
728,702	785,371	1,514,073
\$ 916,252	\$ 866,123	\$ 1,782,375

\$ 267,322	\$ -	\$ 267,322
106,382	(152,610)	(46,228)
12,711	45,016	57,727
31,961	-	31,961
90,092	-	90,092
407,784	973,717	1,381,501
\$ 916,252	\$ 866,123	\$ 1,782,375

City of Mitchellville, Iowa  
Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Governmental Funds  
As of and for the year ended June 30, 2007

	Special Revenue			
	General	Road Use Tax	Employee Benefits	Debt Service
Receipts				
Property Taxes	\$ 351,587	\$ -	\$ 88,114	\$ 33,955
Licenses and Permits	12,664	-	-	-
Use of Money and Property	19,704	7,769	-	-
Intergovernmental	111,684	191,860	-	-
Charges for Services	126,160	-	-	-
Miscellaneous	41,879	-	-	-
Total Receipts	663,678	199,629	88,114	33,955
Disbursements				
Operating				
Public Safety	367,879	-	45,805	-
Public Works	73,850	421,585	18,452	-
Culture and Recreation	98,362	-	12,026	-
Community and Economic Development	16,638	-	-	-
General Government	68,855	-	6,627	3,025
Debt Service	-	53,362	-	101,392
Capital Projects	-	-	-	-
Total Disbursements	625,584	474,947	82,910	104,417
Excess (deficiency) of receipts over (under) disbursements	38,094	(275,318)	5,204	(70,462)
Other financing sources (uses)				
Interfund loan repayment	(1,500)	-	-	-
Bond Proceeds	-	266,808	-	-
Operating transfers in	23,999	15,692	-	55,079
Operating transfers out	-	(35,984)	-	-
Total other financing sources (uses)	22,499	246,516	-	55,079
Net change in cash balances	60,593	(28,802)	5,204	(15,383)
Cash balance - beginning of year	347,191	296,124	26,757	28,094
Cash balance - end of year	\$ 407,784	\$ 267,322	\$ 31,961	\$ 12,711
Cash basis fund balances (deficit)				
Reserved				
Debt service	\$ -	\$ -	\$ -	\$ 12,711
Employee Benefits	-	-	31,961	-
Unreserved				
General fund	407,784	-	-	-
Special revenue funds	-	267,322	-	-
Capital project funds	-	-	-	-
Permanent fund	-	-	-	-
Total cash basis fund balances	\$ 407,784	\$ 267,322	\$ 31,961	\$ 12,711

The accompanying notes to financial statements are an integral part of this statement.

Capital Projects					
Urban Service Area	Library Renovations	Other Nonmajor Governmental Funds	Total		
\$ -	\$ -	\$ 11,142	\$ 484,798		
-	-	-	12,664		
-	1,580	3,474	32,527		
-	-	-	303,544		
-	-	-	126,160		
398,832	240,336	225	681,272		
398,832	241,916	14,841	1,640,965		
-	-	-	413,684		
-	-	-	513,887		
-	-	-	110,388		
-	-	-	16,638		
-	-	-	78,507		
-	-	-	154,754		
355,731	389,525	-	745,256		
355,731	389,525	-	2,033,114		
43,101	(147,609)	14,841	(392,149)		
-	-	-	(1,500)		
-	255,000	-	521,808		
-	-	28,215	122,985		
-	-	(27,610)	(63,594)		
-	255,000	605	579,699		
43,101	107,391	15,446	187,550		
(43,254)	(856)	74,646	728,702		
\$ (153)	\$ 106,535	\$ 90,092	\$ 916,252		
\$ -	\$ -	\$ -	\$ 12,711		
-	-	-	31,961		
-	-	-	407,784		
-	-	57,759	325,081		
(153)	106,535	-	106,382		
-	-	32,333	32,333		
\$ (153)	\$ 106,535	\$ 90,092	\$ 916,252		

City of Mitchellville, Iowa  
Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds  
As of and for the year ended June 30, 2007

	Sewer	Water	Water Capital Projects	Total
Operating receipts				
Use of money and property	\$ 25,235	\$ 15,733	\$ -	\$ 40,968
Charges for service	302,821	349,454	-	652,275
Miscellaneous		5,600	-	5,600
Total operating receipts	328,056	370,787	-	698,843
Operating disbursements				
Business-type activities	175,797	167,850	-	343,647
Total operating disbursements	175,797	167,850	-	343,647
Excess of operating receipts over operating disbursements	152,259	202,937	-	355,196
Non-operating receipts (disbursements)				
Capital projects	-	-	(496,567)	(496,567)
Revenue bond proceeds	-	-	506,941	506,941
Interfund loan repayment	-	1,500	-	1,500
Debt service	(80,650)	(150,589)	-	(231,239)
Total non-operating receipts (disbursements)	(80,650)	(149,089)	10,374	(219,365)
Excess of receipts over disbursements	71,609	53,848	10,374	135,831
Operating transfers out	-	(55,079)	-	(55,079)
Net change in cash balances	71,609	(1,231)	10,374	80,752
Cash balances - beginning of year	378,463	569,892	(162,984)	785,371
Cash balances - end of year	\$ 450,072	\$ 568,661	\$ (152,610)	\$ 866,123
Cash basis fund balances (deficit)				
Reserved for debt service	\$ 4,066	\$ 40,950	\$ -	\$ 45,016
Capital projects	-	-	(152,610)	\$ (152,610)
Unreserved	446,006	527,711	-	973,717
Total cash basis fund balances	\$ 450,072	\$ 568,661	\$ (152,610)	\$ 866,123

*See notes to financial statements*



City of Mitchellville, Iowa  
Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Fiduciary Funds  
As of and for the year ended June 30, 2007

	<u>Blake Trust</u>	<u>Library Memorial</u>
Receipts		
Use of money & property	\$ 2,497	695
Miscellaneous	<u>-</u>	<u>540</u>
Total receipts	2,497	1,235
Other financing sources (uses)		
Operating transfers out	<u>(4,312)</u>	<u>-</u>
Total disbursements	(4,312)	-
Net change in cash balances	(1,815)	1,235
Cash balance - beginning of year	61,688	29,930
Cash balance - end of year	<u><u>\$ 59,873</u></u>	<u><u>\$ 31,165</u></u>

City of Mitchellville, Iowa  
Notes To Financial Statements  
June 30, 2007

1/ Summary of Significant Accounting Policies

The City of Mitchellville is a political subdivision of the State of Iowa located in Polk County. It was first incorporated in 1856 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a nonpartisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, public improvements, and general administrative services.

A. Reporting Entity

For financial reporting purposes, the City of Mitchellville has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing board and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the City's citizenry, but do not meet the criteria for a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: The Safety Coalition of Central Iowa Cities, HAZ-MAT Services, Urban Design Standards and Construction Specification Agreement, City of Colfax Mutual Fire and Police Assistance Agreement and Central Regional Iowa Drinking Water Commission.

In addition, the City, in conjunction with seventeen other cities, created the Metro Waste Authority. The Authority board consists of an elected representative of the governing body of each participating governmental jurisdiction. The purpose of this joint public body is to provide for the economic disposal of all solid waste produced or generated by the jurisdictions and private contractors. During the year ended June 30, 2007, the City paid the Metro Waste Authority \$18,978 for the Curb It Program.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

B. Basis of Presentation (continued)

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Employee Benefits Fund is used to account for the tax levy and the disbursement for the benefits.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

Capital Projects Fund:

Urban Service Fund is used to account for fees and construction costs in the Urban Service Fund. See note 12.

Library Renovations Fund is used to account for the construction costs related to the library renovations.

The City reports the following major proprietary funds:

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Water Fund accounts for the operation and maintenance of the City's water system.

The Capital Projects Fund is utilized to account for all resources used in the acquisition of capital facilities.

## Measurement Focus and Basis of Accounting

The City of Mitchellville maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operation of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a propriety funds' principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

### 2/ Cash and Pooled Investments

The City's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of a drainage district.

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,467,894 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

Interest Rate Risk – the City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but maturities shall be consistent with the needs and use of the City.

### 3/ Bonds and Notes Payable

Annual debt service requirements for general obligation notes, lease purchase notes, and revenue bonds are as follows:

Year Ending	General Obligation Bonds		Lease Purchase Note		Revenue Bonds		Total	
	June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2008		143,362	44,193	11,409	730	133,000	97,680	287,771
2009		149,362	40,680			137,000	93,690	286,362
2010		151,361	36,888			141,000	89,580	292,361
2011		157,361	33,035			145,000	80,970	302,361
2012		105,000	28,940			149,000	76,620	254,000
2013-2017		367,000	96,535			818,000	321,900	1,185,000
2018-2023		287,000	44,815			948,000	200,340	1,235,000
2024-2027		123,168	5,500			785,000	56,220	908,168
Total	\$	1,483,614	\$ 330,586	\$ 11,409	\$ 730	\$ 3,256,000	\$ 1,017,000	\$ 4,751,023
								\$ 1,348,316

3/ Bonds and Notes Payable (continued)

The resolutions providing for the issuance of the revenue bonds/notes include the following provisions.

- a) The bonds/notes will only be redeemed from the future earnings of each enterprise activity and the bond/note holders hold a lien on the future earnings of the funds.
- b) Sufficient monthly transfers shall be made to separate water and sewer revenue bond/note sinking accounts for the purpose of making the bond/note principal and interest payments when due.
- c) User rates shall be established and charged to customers of the activity at least sufficient to pay the expenses of operation and maintenance and to have a balance of net revenues equal to at least 110% of the principal and interest on the bonds/notes falling due in the same year.

4/ Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$26,811, \$26,488, and \$23,985, respectively, equal to the required contributions for each year.

5/ Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for these earned termination payments payable to employees at June 30, 2007, primarily relating to the General Fund, is \$58,670.

This liability has been computed based on rates of pay as of June 30, 2007.

6/ Risk Management

The City of Mitchellville is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

7/ Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

	Transfer To					Total
	General	Road Use Tax	Debt Service	Backhoe	Railroad Crossing	
Transfer from						
Water	\$ -	\$ -	\$ 55,079	\$ -	\$ -	\$ 55,079
Emergency Levy	10,456					10,456
Road Use Tax	7,769			13,215	15,000	35,984
Backhoe		15,692				15,692
Blake Trust	4,312					4,312
Cemetery Trust	1,462					1,462
	<u>\$ 23,999</u>	<u>\$ 15,692</u>	<u>\$ 55,079</u>	<u>\$ 13,215</u>	<u>\$ 15,000</u>	<u>\$ 122,985</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

8/ Related Party Transactions

The City had business transactions between the City and City officials totaling \$195 during the year ended June 30, 2007.

9/ Deficit Fund Balance

The Water Capital Project Fund had a deficit balance of \$152,610. The deficit was a result of project expenditures being made ahead of receipts. Subsequent receipts from bond proceeds will eliminate the deficit.

The Urban Service Area had a deficit of \$153. The deficit was a result of project expenditures being made ahead of receipts. Subsequent receipts will eliminate the deficit.

10/ Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that effect the reported amounts and disclosure of liabilities, contingent liabilities, and commitments at the date of the financial statements, and the classification of receipts and disbursements during the reporting period. Actual results could differ from the estimates that were used.

11/ Construction Commitments

The City has committed to construction contracts for library renovations. As of June 30, 2007, approximately \$170,000 remained to be paid on the contracts.

12/ Urban Service Area

In October 2005, Polk County and the City entered into an agreement under Chapter 28 of the Code of Iowa to provide water and sewer extensions to customers outside the city limits. The service fees will be divided 50% to the City and 50% to a Joint Water and Sewer Trust Fund maintained by the County to be applied to construction costs within the Urban Service area.

City of Mitchellville, Iowa  
 Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances  
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds  
 Required Supplementary Information  
 Year ended June 30, 2007

	Governmental Funds Actual	Enterprise Funds Actual	Net
Receipts			
Property Taxes	\$ 484,798	\$ -	\$ 484,798
Other City Taxes	-	-	-
Licenses and permits	12,664	-	12,664
Use of money and property	32,527	40,968	73,495
Intergovernmental	303,544	-	303,544
Charges for Service	126,160	652,275	778,435
Miscellaneous	681,272	5,600	686,872
Total Receipts	1,640,965	698,843	\$ 2,339,808
Disbursements			
Public safety	413,684	-	413,684
Public works	513,887	-	513,887
Culture and recreation	110,388	-	110,388
Community and economic development	16,638	-	16,638
General government	78,507	-	78,507
Debt service	154,754	231,239	385,993
Capital Projects	745,256	496,567	1,241,823
Business type activities	-	343,647	343,647
Total Disbursements	2,033,114	1,071,453	3,104,567
Excess (deficiency) of receipts over (under) disbursements	(392,149)	(372,610)	(764,759)
Other financing sources, net	579,699	453,362	1,033,061
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	187,550	80,752	268,302
Balance - beginning of year	728,702	785,371	1,514,073
Balance - end of year	\$ 916,252	\$ 866,123	\$ 1,782,375

Budgeted Amounts		
Original	Final	Final to Net Variance
\$ 472,216	\$ 472,216	\$ 12,582
12,128	12,128	(12,128)
11,130	11,130	1,534
6,000	6,000	67,495
617,112	699,036	(395,492)
794,000	794,000	(15,565)
19,220	19,220	667,652
1,931,806	2,013,730	326,078
317,759	415,195	1,511
308,488	321,488	(192,399)
137,196	137,196	26,808
14,600	19,600	2,962
93,853	93,853	15,346
327,650	334,213	(51,780)
1,400,000	1,749,744	507,921
591,891	591,891	248,244
3,191,437	3,663,180	558,613
(1,259,631)	(1,649,450)	884,691
1,000,000	1,348,265	(315,204)
(259,631)	(301,185)	569,487
1,210,404	1,210,404	303,669
\$ 950,773	\$ 909,219	\$ 873,156



City of Mitchellville, Iowa  
Notes to Required Supplementary Information – Budgetary Reporting  
June 30, 2007

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$471,743. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the public works and debt service functions.

City of Mitchellville, Iowa  
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances  
Nonmajor Governmental Funds  
As of and for the year ended June 30, 2007

	Special Revenue					
	Emergency Levy	Backhoe Fund	Special Assessment	Railroad Crossing Repair	DARE	Park Fund
Receipts						
Property tax	\$ 10,456	\$ -	\$ 686	\$ -	\$ -	\$ -
Use of money and property	-	-	813	1,049	-	150
Miscellaneous	-	-	-	-	-	-
Total Receipts	10,456	-	1,499	1,049	-	150
Other financing sources (uses)						
Operating transfers in	-	13,215	-	15,000	-	-
Operating transfers out	(10,456)	(15,692)	-	-	-	-
Total other financing sources (uses)	(10,456)	(2,477)	-	15,000	-	-
Net change in cash balances	-	(2,477)	1,499	16,049	-	150
Cash balance - beginning of year	0	2,477	21,550	15,390	45	3,076
Cash balance - end of year	\$ 0	\$ 0	\$ 23,049	\$ 31,439	\$ 45	\$ 3,226
Cash basis fund balances						
Unreserved						
Special revenue funds	\$ 0	\$ 0	\$ 23,049	\$ 31,439	\$ 45	\$ 3,226
Permanent fund	-	-	-	-	-	-
Total cash basis fund balances	\$ 0	\$ 0	\$ 23,049	\$ 31,439	\$ 45	\$ 3,226

*See accompanying independent auditors' report.*

Permanent	
Cemetery	
Perpetual	
Care	Total
\$ -	\$ 11,142
1,462	3,474
225	225
1,687	14,841
-	28,215
(1,462)	(27,610)
(1,462)	605
225	15,446
32,108	74,646
\$ 32,333	\$ 90,092

\$ -	\$ 57,759
32,333	32,333
\$ 32,333	\$ 90,092

City of Mitchellville, Iowa  
Schedule of Indebtedness  
For the year ended June 30, 2007

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Notes			
Storm Sewer Improvement	March, 1997	5.00%	375,000
Water Treatment Plant	June, 2006	3.00%	1,050,000
Library Renovations	August, 2006	4.25%	255,000
Street Reconstruction	August, 2006	0.00%	266,806
Totals			
Lease Purchase Note			
Ambulance (secured by a lien on the ambulance)	July, 1997	6.04%	\$ 88,910
Revenue Bonds/Notes			
Sewer Revenue Capital Notes	May, 2004	3.00%	\$ 1,200,000
Water Revenue Bonds	September, 2005	3.00%	2,230,000

*See accompanying independent auditor's report.*

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
170,000	-	25,000	145,000	8,500
402,227	506,941	39,000	870,168	22,329
-	255,000		255,000	6,563
-	266,808	53,362	213,446	-
<u>\$ 572,227</u>	<u>\$ 1,028,749</u>	<u>\$ 117,362</u>	<u>\$ 1,483,614</u>	<u>\$ 37,392</u>

<u>\$ 22,177</u>	<u>\$ -</u>	<u>\$ 10,768</u>	<u>\$ 11,409</u>	<u>\$ 1,335</u>
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\$ 1,155,000	\$ -	\$ 46,000	\$ 1,109,000	\$ 34,650
2,230,000	-	83,000	2,147,000	67,589
<u>\$ 3,385,000</u>	<u>\$ -</u>	<u>\$ 129,000</u>	<u>\$ 3,256,000</u>	<u>\$ 102,239</u>

City of Mitchellville, Iowa  
Bond and Note Maturities  
June 30, 2007

**General Obligation Bonds and Notes**

Year Ending June 30,	Storm Sewer Improvement		Water Capital Notes		Street Project		Library Renovations		Total
	Issued March 1, 1997		Issued June 1, 2006		Issued August 30, 2006		Issued August 21, 2006		
	Interest Rates (%)	Amount	Interest Rates (%)	Amount	Interest	Amount	Interest	Amount	
2008	5.00	25,000	3.00	40,000	0.00	53,362	4.25	25,000	143,362
2009	5.00	30,000	3.00	41,000	0.00	53,362	4.25	25,000	149,362
2010	5.00	30,000	3.00	43,000	0.00	53,361	4.25	25,000	151,361
2011	5.00	30,000	3.00	44,000	0.00	53,361	4.25	30,000	157,361
2012	5.00	30,000	3.00	45,000			4.25	30,000	105,000
2013			3.00	47,000			4.25	30,000	77,000
2014			3.00	48,000			4.25	30,000	78,000
2015			3.00	49,000			4.25	30,000	79,000
2016			3.00	51,000			4.25	30,000	81,000
2017			3.00	52,000					52,000
2018			3.00	54,000					54,000
2019			3.00	56,000					56,000
2020			3.00	57,000					57,000
2021			3.00	59,000					59,000
2022			3.00	61,000					61,000
2023			3.00	63,000					63,000
2016			3.00	60,168					60,168
Totals		\$ 145,000		\$ 870,168		\$ 213,446		\$ 255,000	\$ 1,483,614

Year Ending June 30,	Sewer Revenue Notes		Capital Water Revenue Bonds		Total	Lease Purchase Note	Ambulance
	Issued May 17, 2004		Issued September 21, 2005			Issued July 30, 1997	
	Interest Rates (%)	Amount	Interest Rates (%)	Amount		Interest Rates (%)	Amount
2008	3.00	47,000	3.00	86,000	133,000	6.04	11,409
2009	3.00	49,000	3.00	88,000	137,000		
2010	3.00	50,000	3.00	91,000	141,000		
2011	3.00	52,000	3.00	93,000	145,000		
2012	3.00	53,000	3.00	96,000	149,000		
2013	3.00	55,000	3.00	99,000	154,000		
2014	3.00	57,000	3.00	102,000	159,000		
2015	3.00	58,000	3.00	105,000	163,000		
2016	3.00	60,000	3.00	108,000	168,000		
2017	3.00	62,000	3.00	112,000	174,000		
2018	3.00	64,000	3.00	115,000	179,000		
2019	3.00	66,000	3.00	118,000	184,000		
2020	3.00	67,000	3.00	122,000	189,000		
2021	3.00	69,000	3.00	126,000	195,000		
2022	3.00	72,000	3.00	129,000	201,000		
2023	3.00	74,000	3.00	133,000	207,000		
2024		76,000	3.00	137,000	213,000		
2025		78,000	3.00	141,000	219,000		
2026			3.00	146,000	146,000		
Totals		\$ 1,109,000		\$ 2,147,000	\$ 3,256,000		\$ 11,409

See accompanying independent auditors' report.

City of Mitchellville, Iowa  
Schedule of Receipts by Source and Disbursements by Function  
All Government Funds  
For the Last Four Years

	2007	2006	2005	2004
Receipts				
Property taxes	\$ 484,798	\$ 499,829	\$ 492,370	\$ 484,245
Licenses and permits	12,664	14,828	8,525	10,778
Use of money and property	32,527	16,155	7,166	9,707
Intergovernmental	303,544	214,152	185,486	528,192
Charges for service	126,160	113,830	113,646	120,227
Miscellaneous	681,272	62,197	35,337	16,055
Total	<u>\$ 1,640,965</u>	<u>\$ 920,991</u>	<u>\$ 842,530</u>	<u>\$ 1,169,204</u>
Disbursements				
Operating				
Public safety	\$ 413,684	\$ 304,815	\$ 268,519	\$ 262,331
Public works	513,887	274,089	224,577	199,840
Culture and recreation	110,388	120,699	120,433	111,260
Community and economic development	16,638	5,863	5,857	12,061
General government	78,508	92,410	90,115	66,278
Debt service	154,753	71,208	73,702	71,348
Capital projects	745,256	43,254	-	1,152,380
Total	<u>\$ 2,033,114</u>	<u>\$ 912,338</u>	<u>\$ 783,203</u>	<u>\$ 1,875,498</u>

*See accompanying independent auditors' report.*

# POLLARD AND COMPANY P.C.

## CERTIFIED PUBLIC ACCOUNTANTS

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MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
PRIVATE COMPANIES PRACTICE SECTION  
IOWA SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and  
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund of the City of Mitchellville, Iowa as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon as dated below. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Mitchellville's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we considered to be a significant deficiency and we considered to be a material weakness, and is identified as item I-A-07 in the Schedule of Findings.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.



### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mitchellville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Mitchellville's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusion on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a matter of public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Mitchellville and other parties to whom the City of Mitchellville may report. This report is not intended to be and should not be used by anyone other than these specified parties.

June 24, 2008

*Pollard and Company P.C.*

CITY OF MITCHELLVILLE, IOWA  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2007

PART I     Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES

I-A-07 Segregation of Duties

One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The posting of the cash receipts to the general ledger, reconciliations and securities control and custody are all done by the same person.

Recommendation

We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response

With the addition of the City Manager, the City will attempt to segregate duties to the extent possible to provide additional control through review of financial transactions and reports and segregation of duties.

Conclusion

Response accepted.

PART II     Other Findings Related to Statutory Reporting

II-A-07 Certified Budget

Disbursements during the year ended June 30, 2007 exceeded the amounts budgeted in public works and debt service functions.

Recommendation

The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response

The budget will be amended in the future, if applicable.

Conclusion

Response accepted.

II-B-07 Questionable Disbursements

We noted no disbursements for parties, banquets or other entertainment expenses that do not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

PART II      Other Findings Related to Statutory Reporting (continued)

II-C-07 Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-07 Business Transactions

The business transactions between the City and Peggy Olson, Council Member and Caterer, totaled \$195.00. In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Council Member do not appear to represent a conflict of interest since the total transactions were less than \$1,500 during the fiscal year.

II-E-07 Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions.

II-F-07 Council Minutes

No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-07 Deposits and Investments

No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

II-H-07 Financial Condition

As further explained in Note 9 of the financial statements, the Water Capital Project and Urban Service Area Funds had deficit balances at June 30, 2007.

Recommendation

The City should investigate alternatives to eliminate the deficit in order to return the fund to a sound financial position.

Response

Note 9 of the financial statements indicates the City's plans to eliminate the deficit.

Conclusion

Response accepted.

PART II      Other Findings Related to Statutory Reporting (continued)

II-I-07    Retention of Cancelled Checks

The cancelled checks received electronically, do not contain an image of the front and back of the check as required by Section 554D.114(5) of the Code of Iowa.

Recommendation

The City should contact their bank and request that the electronic image contain both the front and back of each check.

Response

We contacted our bank and they will make the change.

Conclusion

Response accepted.

II-J-07    Sewer Sinking Fund Deposits

The Water Sinking Fund Reserve does not contain the balance required by the bond indenture agreement.

Recommendation

The City should review the sinking fund requirements and make all required deposits into the fund as required by the bond indenture agreement.

Response

We will review the requirements and make any necessary deposits as required.

Conclusion

Response accepted.